

PositiveMoneyNZ



Newsletter #51 – Another Bank of England paper on money creation by private banks.

Welcome to our 51st newsletter. Here is a link to [previous newsletters](#).

The Bank of England has published a working paper titled "[Banks are not intermediaries of loanable funds – and why this matters](#)" by Zoltan Jakab and Michael Kumhof. The abstract to the working paper states that "In the real world, banks provide financing through money creation. That is they create deposits of new money through lending, and in doing so are mainly constrained by their own profitability and solvency considerations".

This follows up items in the Bank of England's quarterly bulletin in 2014 [Money in the modern economy: an introduction](#) and [Money creation in the modern economy](#).

It is a shame that our Central Bank does not have the same drive to educate people on what is going on.

The Telegraph in Britain also published an article titled "[Yes there is a magic money tree](#)" stating that the bank of England can create as much currency as it wants. The article also points out the private banks also create money in the act of lending.

Things are also heating up in the UK with the Labour Parties new Chancellor of the Exchequer (Finance Minister) stating that [it is time to review the mandate of the Bank of England](#).

There was also a very good 20 minute item on Radio New Zealand's Nine to Noon programme about [loan swaps provided by National Bank](#) which became ANZ.

Angela Potroz and her family lost millions of dollars over their loan swaps when they were forced to sell three farms because of payments to the bank costing up to \$120,000 a month.

Lynn Freeman talks to Angela Potroz and Hamilton lawyer Victoria Whitfield who has previously advised Angela and other farmers who were burnt by loan swaps. During the item the Commerce Commission said that the banks had misled their clients.

Finally, we posted an item on the [International Movement for Monetary Reform's Facebook page](#) being live. Positive Money New Zealand is part of this global movement for monetary reform so make sure you like and share it!

Don Richards and Sue Hamill